

**EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON  
CUSTOMER LOYALTY AMONG COMMERCIAL BANKS IN  
NAIROBI, KENYA**

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ADMINISTRATION**

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## DECLARATION

This research project is my original work and has not been submitted for examination in any other University.

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This research project has been submitted for examination with my approval as a university supervisor.

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## **DEDICATION**

I dedicate this dissertation to my family, especially.....

To Ambrose for patience and understanding;

To my children Zuri and Baraka for their unwavering love and support despite the long absences;

To my mother for instilling in me the importance of hard work and higher education;

To my siblings – may you also be motivated and encouraged to reach your dreams.

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## **ABSTRACT**

This study specifically assessed the impact of CSR on customer loyalty among commercial banks in Nairobi, Kenya. The objectives of the study were to establish the extent customer awareness on CSR activities carried out by commercial banks and to determine the effects of corporate social responsibility activities on customer loyalty among commercial banks. This study also exposed the challenges experienced by commercial banks in the conduct of its CSR programmes. The literature review focused on the concepts of CSR and strategic intent and their relationship with corporate performance. It also focused on the practice of CSR. The conceptualization of the study included CSR programmes as the independent variables, CSR policy and approach as the intervening variable and attainment of the strategic intent as the dependent variable. The results of the study showed that the CSR practice in commercial banks is aligned with the strategic intent and that generally the CSR programmes met the expectations of employees, investors and local communities and improved customer loyalty. However, there was no certainty that the expectations of customers were met due to the fact that customers also doubled up as employees and local community members. The key recommendation of the study was that the current CSR programmes should be expanded to engage more employees and serve more needy cases in wider geographical areas. Secondly, commercial banks need to partner with more co-sponsors in order to benefit from the economies of scale. The study found out that all the CSR programmes are aligned with the Strategic Intent of most if not all commercial banks. It also established that all the CSR programmes do contribute to attainment of the Strategic Intent at commercial banks through their joint and several contributions to the expectations of the various stakeholders of the organization. To the employees the CSR programmes allows their participation as volunteers and instills a sense of responsibility and belonging to the overall mission of the organization. To the customers the study established that they specifically derived prestige from the socially responsible brand and also shared in the increased share value created for the investors and the economic, social and environmental benefits enjoyed by the communities. The study established that the regulators were interested in corporate citizenship of the players through the practice of CSR as embodied by commercial banks. The main challenges that commercial banks face in the practice of CSR was resource constraints and deteriorating macroeconomic environment characterized by inflation, increased poverty levels and youth unemployment. The other main challenge was lack of free will and passion in the employees and customers. Lastly, commercial banks like many other organizations lacked models of CSR that could have ensured delivery of value to all the stakeholders of the organization.

# TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>viii</b>
<b>LIST OF FIGURES .....</b>	<b>ix</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>x</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Concept of Corporate Social Responsibility .....	2
1.1.2 Customer Loyalty.....	5
1.1.3 The Banking Industry in Kenya.....	7
1.2 Research Problem.....	8
1.3 Research Objectives .....	10
1.4 Value of the Study.....	11
<b>CHAPTER TWO: LITERATURE REVIEW .....</b>	<b>12</b>
2.1 Introduction .....	12
2.2 Theoretical Foundation .....	12
2.2.1 Consumer Behavior Theory .....	12
2.2.2 Stakeholder Theory .....	13
2.2.3 Corporate Social Performance Theory.....	14
2.3 Emerging trends in CSR.....	15
2.3.1 The concept of Customer Loyalty.....	17
2.3.2 Brand Equity .....	19
2.4 CSR and Customer Loyalty .....	20

<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>22</b>
3.1 Introduction .....	22
3.2 Research Design .....	22
3.3 Population .....	22
3.4 Sampling .....	23
3.4 Data Collection.....	23
3.5 Data Analysis .....	24
<b>CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .....</b>	<b>25</b>
4.1 Introduction .....	25
4.2 Response Rate .....	25
4.3 Reliability Analysis.....	25
4.4 Demographic Characteristics of the Customers .....	26
4.5 Customer Awareness of CSR activities .....	30
4.6 Effect of Corporate Social Responsibility .....	35
4.7 Discussion and Interpretation of the Findings .....	36
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..</b>	<b>38</b>
5.1 Summary of the findings.....	38
5.2 Conclusions .....	39
5.3 Limitations of the Study.....	41
5.4 Recommendations .....	41
5.4.1 Recommendations with policy implications.....	41
5.4.2 Suggestions for further research .....	42
<b>REFERENCES.....</b>	<b>43</b>
<b>APPENDICES .....</b>	<b>48</b>
Appendix I - Assets and Market Share of Commercial banks .....	48
Appendix II: Research Questionnaire .....	50

## **LIST OF TABLES**

Table 4.1: Reliability coefficients.....	24
Table 4.2: Gender of the respondents .....	326
Table 4.3: Age distribution .....	27
Table 4.4: Level of education of the respondents.....	28
Table 4.5: Adequacy of CSR Awareness efforts.....	32
Table 4.6: Customer's attitude towards the bank.....	34



## **LIST OF FIGURES**

Figure 4.1: The Pyramid of Corporate Social Responsibility.....	15
Figure 4.2: Employment Status of the respondents .....	29
Figure 4.3: Bank of choice.....	30

## **LIST OF ABBREVIATIONS**

ATM	-	Automatic Teller Machine
CBK	-	Central Bank of Kenya
CSR	-	Corporate Social Responsibility

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

In the recent times, it has increasingly been noted that corporate social responsibility (CSR) has become a mainstream business activity. Many firms have incorporated CSR as part of their strategy. More than half of Fortune Global 250 firms now provide regular public statements exclusively discussing CSR, and approximately 10 percent of S&P 100 companies report in detail on CSR activities (Kotler and Lee 2004; Baskin and Gordon 2005).

The term corporate social responsibility (CSR) has its origins dating back in the 1930 – 40’s. During this time, the fundamental question regarding whether or not organizations owed to stakeholders and others arose (Carroll, 1999). Most research that has been previously carried out has shown how CSR activities can be beneficial to an organization, and drawn favorable responses from their stakeholders. These CSR initiatives have also acted as a source of competitive advantage. According to Sen and Bhattacharya (2001), customers view an organization that carries out CSR activities positively and identify with it. These positive customer discernments have been shown to lead to customer loyalty and satisfaction. According to Oloko (2012), banks in Kenya rely on customer loyalty and satisfaction as key forecasters of overall performance and success. Greening and Turban (2000) also show that organizations with good CSR policies attracted high quality employees. Investors are attracted to make investments in public companies with

CSR Policies (Domini, 1992; Sen et al, 2006). Such investments can ensure long-term survival of the organization and also act as a source of competitive advantage.

CSR has become a high profile issue generating great public interest. An extensive global survey found that two-thirds of people said they would like firms to contribute towards social goals beyond shareholders wealth (Enviro-nics International 1999). Another found that 52 percent of respondents ask to see information on the companies' CSR activities (Fleishman-Hillard 2007).

Scherer and Palazzo (2008) in a nutshell summarize the changing public view, paradoxically, today, business firms are not just considered the bad guys, causing environmental disasters, financial scandals and social ills. They are at the same time considered the solution of global regulation and public goods problems.

Commercial banks in Kenya do not exist in isolation. They contribute towards the GDP of the country, and meet the demand of the populace by providing access to a variety of products for instance loans, interest bearing accounts and trade finance. It is important for banks to pay special attention towards amalgamation of social and environmental concerns to their business agenda in order to achieve sustainable development. When customers view a company's CSR activities positively, they identify and remain loyal to that company (Sen and Bhattacharya, 2001). It is against this back drop that it can be understood that CSR forms an integral part of an organization's business activities.

### **1.1.1 Concept of Corporate Social Responsibility**

Consistent with McWilliams and Siegel (2001), CSR can be defined as activities in which the firm goes beyond conformity and engages in "actions that appear to further some

social good, beyond the interests of the firm and that which is required by law.” But this is just one understanding of CSR. Many definitions of CSR have been proposed often with no clear definition. Some of the activities suggested include environmental sustainability (e.g. waste management, recycling, renewable energy resources, utilizing reusable resources, “green” supply chains etc.), Community involvement (e.g. sponsoring local events) and ethical marketing practices.

Scholarly perceptions of CSR have evolved also. Early work was concerned with whether CSR should exist. Economically-oriented work on CSR acknowledged the well-known incapability of markets to make sure that there is efficient pricing and provision of public goods and bad, but emphasized that firms couldn’t and shouldn’t be expected to act voluntarily in a socially or environmentally responsible manner. Friedman (1970) argued that the only responsibility of firms was maximization of profit and public preferences combined with democratic consent implied that governments and not firms should manage externalities and provide public goods. This division of firms’ and government responsibility vis-à-vis society generally became known as the classical dichotomy.

In contrast to Friedman (1970), early scholars argued that firms needed to consider the implications of their actions even if it reduced shareholder wealth. More recently however, the perception of CSR has significantly changed (Aasad, 2010). The success of a firm is now being measured by its contribution to society (Porkorny, 1995; Saunders, 2006). Consumers represent an important stakeholder group thus companies must consider adopting a consumer-centered approach in directing their CSR activities.

Other studies on consumer behavior suggest that consumers are increasingly caring about the ethical dimensions of product or services which may have a positive financial impact for the firm if they can handle it well. However, results from most of these studies just asked respondents to rank the companies ethical statements or how much they cared if the companies are socially responsible. This does not confirm whether consumers purchase behavior is influenced by the company's CSR activities. Furthermore, even though scholars and business managements have participated in different kinds of arguments on the social responsibilities of business, there has been little investigation on the public's view towards these social issues. Thus, firm's managers will lack a clear understanding of what the public expects from them and how far they are supposed to go towards helping their societies. Hence, a gap in our knowledge of which particular socially responsible activity is likely to be most influential with consumers is found. (Brammer and Pavelin, 2004)

Banks in Kenya have taken to CSR with gusto by improving staff welfare and work environment, embracing transparency and accountability in business transactions, ethically improving their bottom line, and community development programs. It has become not just a goodwill gesture, but a prerequisite for good corporate leadership and governance as well as sustained operation and profitability. CSR has been used as a corporate competitive marketing strategy which ensures organizational and product exposure and brand enhancement therefore marking the institution as one that cares about its customers, the community and other stakeholders. Some banks have formed foundations to help them implement their respective CSR programs. Such include the Equity Bank Foundation, Chase Bank Foundation, Kenya Commercial Bank Foundation

etc. Thus, though not within the bank's core competence, they can implement their CSR activities in an organized and well-coordinated manner through these foundations.

There are a number of CSR activities carried out by banks with some having specific areas of support. Some of the most popular activities by banks include for instance Equity Bank's "Wings to Fly" programme, The Standard Chartered Bank's Nairobi Marathon, Chase Bank's "Stand Up For African Mothers" campaign. Other options that banks participate in include drilling boreholes for access to clean water, building school facilities like classrooms and libraries, educational programmes to help underprivileged but bright students, environmental conservancy through tree planting, cleaning up streets and rivers, supporting rehabilitation programmes, supporting children's homes etc.

Despite common misconception, CSR is not about free goodies. It is an effort by organizations to use their resources in a way that helps build mutually productive and sustainable relationships between them and the communities in which they serve in. If well executed it is a win-win initiative for all the stakeholders

### **1.1.2 Customer Loyalty**

Management of attrition and customer loyalty are key issues of a firm's strategic management agenda. By creating and maintaining customer loyalty, the firm develops a long-term, mutually beneficial relationship with its customers (Pan et al., 20011). Brand loyalty is a key consideration because a loyal customer base generates larger sales and profits (Aaker, 1996). Loyalty can be described as customers believing continuously that an organization's product or service remains their best option. They take this option whenever faced with that purchasing decision. Additionally, loyalty means sticking with

the company's product or services even when there may be a problem because the company has been good to them in the past and addresses issues when they arise. It means a customer want to and is willing to do business with the company. The issue for organizations is translating this into actual practice, where specific actions are defined and ideal customer relationships envisioned.

Loyal customers are those getting the product or service they require and believe that these products or services are superior to those of the competitor. Such a customer's mindset goes beyond the normal transactional interaction but believes there is a relationship with the firm that is bigger than the product or service they are buying thus creating customer satisfaction and increased brand loyalty. However, this is often not the case as highly satisfied customers can just as easily not buy their preferred brand and buy another. False loyalty can occur whereby customers have a limited choice of products or services. They appear to be loyal when the actual case is that they are unhappy with the product or service as there are no other good substitutes. Customer awareness of CSR activities of a company can influence purchase decisions which in turn influence customer retention and loyalty. The effects of CSR on loyalty can be seen through positioning, brand identification and advocacy.

Recent studies on consumer behavior suggest that consumers are increasingly caring about the ethical dimensions of product or services which may have a positive financial impact for the firm if they can handle it well. However, results from most of these studies just asked respondents to rank the companies ethical statements or how much they cared if the companies are socially responsible. This does not confirm whether consumers purchase behavior is influenced by the company's CSR activities.



Furthermore, even though scholars and business managements have participated in different kinds of arguments on the social responsibilities of business, there has been little investigation on the public's view towards these social issues. Thus, firm's managers will lack a clear understanding of what the public expects from them and how far they are supposed to go towards helping their societies. Hence, a gap in our knowledge of which particular socially responsible activity is likely to be most influential with consumers (Brammer and Pavelin, 2004) is found

### **1.1.3 The Banking Industry in Kenya**

The banking industry is the fastest growing sector in Kenya, which has 44 banks. It is regulated by the Central Bank of Kenya and governed by the Companies Act, the Banking Act and various prudential guidelines by the Central Bank of Kenya.

Commercial banks and other financial institutions have recently received much attention from researchers and scholars on the manner of the ethical embracement in their business operations (Mathenge 2013). Banks through CSR are giving back to the community to improve the communities in which they operate. Banks have discovered that it is equally important for business growth, apart from providing excellent customer service and innovative products. Therefore it is usual to see them highlighting their CSR activities in the media such as education foundations, drilling boreholes, school facilities, classrooms, holding marathons to support various health causes. Through this, the banks can gain by loyalty from existing customers, attract new customers, act as advertising opportunities for the banks' products and services and also helps in brand reinforcement among the populace.

According to Mathenge (2013), few Kenyans have enjoyed the services of banks without questioning the means and manner with which the bank extends such services to them. Whilst it is expected that commercial banks practice the highest level of ethical banking, the Kenyan financial sector continues to experience unreported unethical conduct by several banks.

Thus banks have to involve the community who are the customers. In order to produce relevant products and services, banks must carry out research from their customers on their perceptions towards their business operations, particularly on their quality of services rendered to increase customer satisfaction and ultimately loyalty. (Okwemba et al, 2014)

## **1.2 Research problem**

There is growing interest in studying the relationship between CSR and marketing despite research into CSR being relatively new. Consumers expect to see more CSR activities from firms and managers are increasingly viewing CSR as a marketing tool. Studies have shown that whilst a good motivator, CSR activities by themselves are not enough to inspire loyalty of customers towards a specific banks. This is further complicated by the large number of banks, micro finance institutions and other financial institutions that are all competing for the same clientele Organizations have realized that in order to stay competitive, they must generate returns from every investment made. However, in light of this, resources are being allocated towards activities that benefit communities which comprises CSR. Carroll's (1996) model explained this by describing four dimensions that make up CSR. These include economic, legal, ethical and philanthropic undertakings. The benefits from CSR due to banks are largely expected to be customer loyalty. The

existing customers would be proud to be associated with an organization that is making a positive impact to the community they live in. They also use CSR as an avenue to attract new customers to the institution leading to business growth and new opportunities.

Banks in Kenya are undertaking more CSR activities to do with environmental conservation, education, health and goodwill. These activities have also been used as platforms for marketing and advertising bank products and services, where new customers are sourced and existing customers are given cross selling opportunities. Thus they are able to give back to the society and at the same time generate new business opportunities that they can use to achieve customer satisfaction and loyalty

Several studies have been carried out on CSR in relation to customer satisfaction, organization performance and perception in the banking industry. However, little research has been done in relation to customer loyalty among commercial banks in Kenya. For instance Otieno (2009) carried out a study on the practice of corporate social responsibility by commercial banks in Kenya. His findings were that most banks had a functional department that is tasked with initiating and coordinating CSR activities. These activities are mainly centered on community work. Similarly Nzovah (2012) studied the factors influencing the practice of CSR in a commercial bank in Kenya. Her findings listed some of these factors as corporate strategy, accountability, enhancement of stakeholder relations, company integrity and stakeholder cooperation. She also found that profitability did not evidently feature prominently as a factor despite it being an obvious choice. Likewise, Okeyo (2013) conducted a study on the correlation between CSR and customer loyalty in the banking industry. Her study established that CSR does indeed influence the behavior and attitudes of the bank's customers leading to customer

satisfaction and thereby loyalty. She recommended an efficient feedback plan for customers to report various aspects of planned and undertaken CSR activities and creation of awareness among stakeholders on the importance of CSR and its benefits towards improving the organization's image and subsequently contributing to customer retention.

Finally, Kagendo (2013) conducted a study on CSR and competitive advantage by commercial banks. The study ascertained that CSR increased customer awareness of the an organizations core function and product offering, improved customer loyalty, reduced cost associated with advertising and generally enhance the organizations image. She recommended that CSR be used to enrich the level of competitiveness among banks in Kenya

This study therefore sought to answer the following study question: what are the effects of CSR on customer loyalty among commercial banks and do they realize any benefits from the CSR activities carried out in terms of customer loyalty and new customers? Are customers aware of these activities?

### **1.3 Research objectives**

The objectives of this study were:

- i. To establish the extent of customer awareness on CSR activities carried out by commercial banks
- ii. To determine the effects of corporate social responsibility activities on customer loyalty among commercial banks

## **1.4 Value of the Study**

Thus study is supported by three theoretical perspectives namely, consumer behavior theory, corporate social performance theory and stakeholder theory. The consumer behavior theory explains how customers behave the way they do and in this case why they become loyal to an organization. The corporate social performance theory in this context explains why firms engage in activities that are beneficial to the society as a whole. The stakeholder theory is about the individuals and groups that are affected by the organizations actions, in this case the society.

As earlier enunciated, the effects of CSR on customer loyalty have not been largely studied. However, CSR is becoming increasingly significant from a practical as well as theoretical point of view. Theoretically, there is need for additional knowledge on the correlation of CSR and consumer behavior. This way firms can be able to use this research implement policies on CSR that will help them achieve higher customer satisfaction thereby increasing the bottom-line. Based on this, firms are also able to forecast customer preferences based on brand loyalty of customers that are attracted to the firm by CSR activities.

Practically, consumers expect more and more to see companies behaving socially responsible, and it is through this that the consumers develop loyalty. Also, CSR actions can help banks to gain competitive advantage which may not be enjoyed by peer banks. CSR actions in this case also assist banks not only to attract and retain its customers but also to motivate talent through specific activities targeting employees. . It will also serve as a guide in how commercial banks can change consumer perceptions towards their products and services by using CSR activities to create buy in.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter, the theoretical framework for this study was presented. First, three main theories supporting the concept of corporate social responsibility are given. Next, emerging trends within corporate social responsibility is discussed and a review of customer loyalty. Finally, the section ends with a review of a combination of both concepts.

#### **2.2 Theoretical Foundation**

This section looked at some of the theories surrounding the concept of CSR and that of customer loyalty. The purpose of this section was to examine the corpus of theory that has accumulated in regard to the topic of this study.

##### **2.2.1 Consumer Behavior theory**

The theory of consumer behavior is applied in various tenets such as economics, marketing, psychology etc. Its principle assumption is that a customer attempts to allocate his or her money towards available goods and services in order to maximize utility thereby leading to satisfaction. Customer satisfaction ultimately can lead to customer loyalty towards a certain product or service or even an organization. The buying decision can be affected by influence such as from family and friends, the financial capability of the consumer, the attitude and perception of the buyer towards the product, external influence such as advertising or market perception etc. Consumer behavior is an important guiding principle in understanding how customer loyalty is linked to CSR.

The most prevalent model of this theory is the utility theory. This theory assumes that a consumer is a rational economic being, who makes purchases based on the outcomes of the purchases therefore acting in self-interest (Schiffman and Kanuk, 2007). Consumer behavior can be defined “the study of the process involved when individuals or groups select, purchase use or dispose of products, services, ideas or experiences to satisfy needs and desires.” Solomon, Bamossy et.al. (2006).

Organizations can use CSR to appeal to customer behavior. The CSR activities can be used as platforms for creating awareness of products or services through advertising and brand promotion. Despite CSR being carried out for societal good, organizations are using them attract and retain customers, who like or want to be identified with a company that carries out CSR activities.

### **2.2.2 Stakeholder theory**

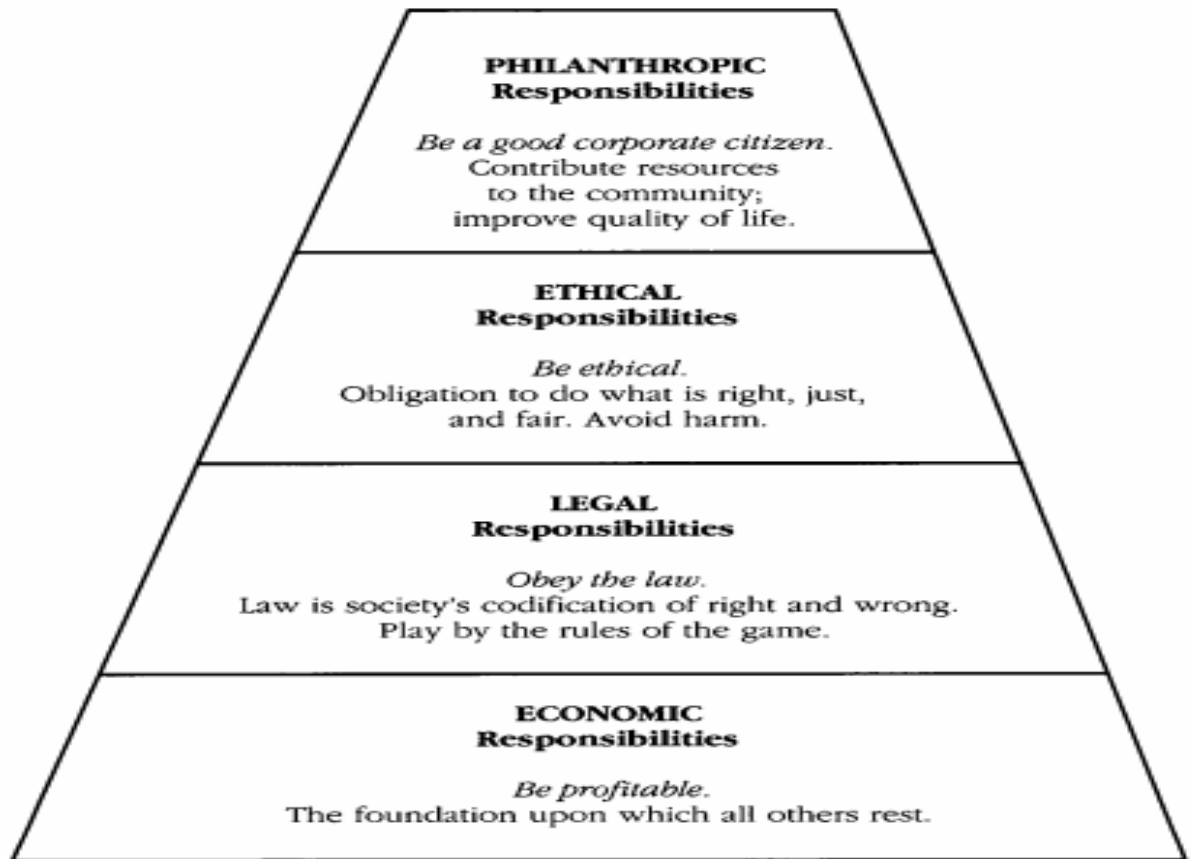
This theory lists and describes those individuals and groups who will be affected by (or affect) the organizations actions. These individuals and groups hold a right and obligation to participate in directing the organization. Practically, however, stakeholder theory would in the strictest sense be inoperable. There would be no end to simply figuring whose rights need to be accounted for due to the large number of stakeholders involved. Realistically, the stakeholders surrounding a business should be defined as those tangible affected by the organizations action. This is however no easy task and constitutes a daily challenge for managers. Indeed, Wood (1991) suggested stakeholders are likely to develop a different understanding of what CSR means and what they can expect from the organization in terms of CSR.

Thus stakeholder management implies allocating organizational resources in such a way as to take into account the impact of these allocations on various groups within and outside of the firm. (Jones, 1999)

### **2.2.3 Corporate Social Performance Theory**

This theory has evolved from several previous concepts and approaches. Its root can be found in Howard R. Bowen (1953), who explained that the social responsibility of firms was to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. In 1979, Carroll introduced the concept of corporate social performance, amalgamating the basic principle of social responsibility, and the specific philosophy of response to social issues. These were composed of four obligations namely, economic, legal, ethical and philanthropic responsibility as can be seen in figure 4.1.





**Figure 4.1: The Pyramid of Corporate Social Responsibility**

Source: Carroll, Archie B. (1991), "The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders", *Business Horizons*, vol. 34, issue 4, pp.42

### **2.3 Emerging trends in CSR**

In the beginning of the 21<sup>st</sup> century, companies began to focus more and more on CSR as part of their business operations. Firms became members of various CSR organizations which gave guidelines on how to work with CSR, activities involved in CSR, future challenges etc. Firms also began to publish annual CSR reports, or dedicate sections of

their usual annual reports to mention on their CSR activities (Jutterström & Norberg, 2011).

Another emerging trend was the focus of CSR from a customer perspective. Consumers predictable took interest in the fact that organizations had started to work and participate actively in CSR projects. Researchers were enthusiastic to find out if CSR initiatives impacted consumers in any way and if so, in what way and to which extent. Mohr et al. (2001) undertook such a study and found out that people were more inclined to firms that undertook CSR activities and more so expected a high degree of participation in CSR activities by firms. The study went further to reveal that a small number of respondents did not base their purchase behavior entirely on CSR, if ever, but 39% did in fact base some if not all of their purchasing on CSR of the firm.

Similarly, in 2005, Becker-Olsen and Hill carried out studies to explore the effect of perceived CSR on consumer behavior. The findings were that a large majority of respondents believed firms should engage in CSR activities and thought this would benefit the firms. Results also showed that the respondents would not be associated with a firm that was socially irresponsible and that they would be more inclined to purchase from firms involved in social initiatives (Becker-Olsen & Hill, 2005)

Another trend is CSR used as a competitive advantage by firms. Porter and Kramer (2006) came up with a framework that organizations can use to measure the impact they have on society, areas of concern to address and ways to do so. They suggested that firms can acquire more social progress if they look at CSR with strategic intent, as they can apply resources, skill and discernment that will benefit society.

### **2.3.1 The concept of Customer Loyalty**

The concept of customer loyalty and its significance in business is commonly acknowledged and pursued by managers. An organization develops long-term, mutually beneficial relationships with its customers when it generates and maintains customer loyalty. The organization is therefore able to maximize profits thus ensuring its success and profitability.

In theory, customer loyalty is heavily segmented. The different views on loyalty allow for a distinction between stochastic, deterministic and composite approach. The stochastic approach is purely behavioral, while the deterministic approach sees loyalty as an attitude. The composite approach is a combination the both the stochastic and deterministic approach. Through these dimensions, loyalty is said to evolve from simply purchase, to satisfaction, to trust, then commitment and finally to customer loyalty (Rundle-Thiele, 2006). Behaviorally loyal customers act loyal but do not have an emotional (attitudinal) attachment to the brand. This is referred to as false loyalty (Jones & Sasser, 1995). These customers given a choice would not be loyal and only act out of circumstances for instance, financial limitations, being bound by contracts etc. A customer can also be loyal to a brand due to lack of knowledge of other brands, or by being in a comfort zone thereby creating an unwillingness to change brands. Attitudinal loyalty is a much stronger and long lasting dimension due to the emotional relationship the customer has with the brand. The customer will put an effort to sustain this relationship with the brand. The composite loyalty, which is a combination of both behavior and attitude, can be said to be the true form of loyalty and is called intentional loyalty (Day, 1069).

Organizations adopt two main types of strategies in their quest to maintain customer loyalty. These are offensive strategy and defensive strategy. The offensive strategy mainly targets new customers and is concerned with increased market share, whilst the defensive strategy targets existing customers and seeks to improve and maintain customer satisfaction and at the same time prevent customers from switching to alternative products from competitors. The organization therefore protects its brand and its market from competitors when it is able to generate customer satisfaction (Fornell, 1992). The organization can ensure customer satisfaction by for instance having a loyalty programme which is an incentive for the customer to continuously purchase the product thereby remaining loyal. The aim of the loyalty programme is to build a mutually benefiting emotional relationship between the customer and the organization.

According to Kumar and Shah (2004), customer loyalty can be difficult to maintain. However, it is more economically viable to maintain existing customers than it is to on-board new ones. There are a number of benefits both to the consumer and to the organization, of maintaining customer loyalty. Key among these is the economic benefits that both parties can enjoy. The organization enjoys repeat purchases leading to profitability, whilst the customer enjoys discounts and convenience as is with the case of loyalty programmes. Loyalty also creates a special relationship between the customer and the organization with the customer ultimately turning into a brand ambassador for the organization.

### **2.3.2 Brand Equity**

Previously, giving away branded items to customers will get businesses recognized. (Buchholtz and Carroll, 2003). Today, organizations know that CSR is linked to their reputation and brand identity (Holding and Pilling, 2006). Manhaimer (2007) stated that customer loyalty is linked to brand equity. This means that there is a possible relationship between CSR and loyalty through brand equity. CSR efforts by a company can enhance its brand equity and thus the overall consumer loyalty.

Smith, Gradojevic and Irwin (2007) affirmed that one of the most interesting marketing factors that most private organizations were indulging in is in developing brand equity. Pakseresht (2010) argued that now, most companies are distinguished by their brand thus they are evaluated based on how they perform in the eyes of society. Van Heerde, Gupta and Wittink (2003) also suggested that loyalty can be impacted by brand equity and these two factors in turn can be driven by CSR initiatives.

Balsara (2009) called for making CSR compulsory in relation to a company's overall brand strategy. He added that CSR can be used to not only promote a cause, but also help to create unique brand equity for the company. Myers (2003) suggested that customers tend to associate themselves with a particular brand based on the value of its brand. Upon such significant relationship with the brand, a company can form a unique identification between the customer and the brand.

## **2.4 CSR and Customer Loyalty**

Organizations use CSR as a marketing tool to try to influence customer loyalty, as it is one of the most important consumer behaviors. Gracia de los Salmones et al. (2005) measured the direct and indirect relationship between CSR and customer loyalty in the mobile telephone industry. The results showed no significant direct relation between the two variables; however, customers seemed to rely on CSR as an influence on the appraisal of services. Since the general service appraisal was linked to customer loyalty, then the results showed that customer loyalty was indirectly influenced by CSR.

In 2010, Liu et al. carried out a study on perceived CSR and customer loyalty in the dairy market in China. The results showed that factors such as product quality, image, trust and satisfaction have a positive influence on customer loyalty, with no significant direct correlation between CSR and customer loyalty. Since the regression analysis already identified the impact of perceived CSR, the conclusion was that perceived CSR might have an indirect impact on customer loyalty. (Liu et al., 2010). There are also studies revealing a positive correlation between CSR and customer loyalty. In 2007, Du et al., studied the moderating influence of the extent to which a brand's social initiatives are combined into its competitive positioning of consumer reactions to CSR.

These studies have showed that CSR can promote customer loyalty however organizations have to be careful to structure the CSR activities in a way that merges with the customers' direct experience with the brand. This is so that the customers identify with the brand rather than see the CSR exercise as a public relations campaign for the company. Ailawadi and Luan (2011) summarize "Engage in meaningful CSR. Integrate

your CSR efforts into consumers' direct experience with your brand, and monitor their response to make sure your initiatives and your message resonate with them.”

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter entails the research design and methodology that was used to find out the effect of corporate social responsibility of select banks in relation to its impact on customer loyalty. A quantitative approach was the most suitable option for conducting this study. The intention was to generalize, through statistical analysis, the findings to the studied population.

#### **3.2 Research Design**

This study used a cross sectional survey, which is a type of descriptive research design that supports inferences of cause and effect and measures the characteristics described in the research question. This design was characterized by the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables. These are then examined to detect patterns of association (Bryman & Bell, 2011). Two variables were measured: the independent variable and the dependent variable. The independent variable is corporate social responsibility while the dependent variable is customer loyalty

#### **3.3 Population**

The population for this study was defined as all consumers who are at least 21 years of age who live in Nairobi and are consumers of saving or current account products and services. These consumers were picked from the 44 banking institutions that are registered by the Central Bank of Kenya. All these banks have their headquarters and



branches in Nairobi, the area of research, though they have branch networks in other towns. The list of these banking institutions was adapted from classification by Fortune of Africa (2012) as shown in appendix 1

### **3.4 Sampling**

The 44 commercial banks registered with the Central Bank of Kenya were classified into large, medium and small banks in terms of asset size. The study used stratified sampling approach to cover the total population using data classification from Fortune of Africa (2012). One commercial bank was randomly selected from each stratum giving a total of 3 banks to be used as samples for the study. Thereafter, systematic sampling of customers was used in these banks to ensure equal representation. A sample size of 100 customers was used using a distribution percentage of 10% from each chosen bank

### **3.4 Data Collection**

To achieve the objectives of the study, primary data was collected in written form by use of questionnaires, which was physically distributed using systematic random to customers in banking halls. The questionnaires had questions divided into variables of interest, with the Likert scale used with respondents answering the questions in each variables based on a strength of 1 to 5 where 1 is “strongly disagree”, 2 is “disagree”, 3 is “neutral”, 4 is “agree”, and 5 is “strongly agree”. Permission to conduct interviews was sought through an introduction letter. Once the questionnaire was given, the customer filled it on the spot and return back, therefore giving them an opportunity to ask any questions.

### **3.5 Data Analysis**

Descriptive statistics was used to summarize the data. These include mean scores, standard deviations, frequencies and percentages while inference statistics such as regression and correlation were done, to identify the relationship between Banks' CSR initiatives and their customer's loyalty.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter covers data presentation and analysis. The main objective of the study was to establish the extent customer awareness on CSR activities carried out by commercial banks and to determine the effects of corporate social responsibility activities on customer loyalty among commercial banks. In order to simplify the discussions, the researcher provided tables and figures that summarize the collective reactions and views of the respondents.

#### **4.2 Response Rate**

The targeted sample size was 100 participants. Those who filled and returned questionnaires were 73 respondents making a response rate of 73 %. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study was excellent and therefore enough for data analysis and interpretation.

#### **4.3 Reliability Analysis**

Reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. Cronbach's alpha was calculated by application of SPSS version 20 for reliability analysis. The value of the alpha coefficient ranges from 0-1 and may be used to describe the reliability of factors extracted at 5% level of significance from dichotomous and or multi-point formatted questionnaires or scales.

A higher value shows a more reliable generated scale. Cooper & Schindler (2008) have indicated 0.7 to be an acceptable reliability coefficient.

**Table 4.1: Reliability Coefficients**

Scale	Cronbach's Alpha	
Customer awareness of CSR action	0.754	
Adequacy of CSR awareness efforts	0.765	
Customer attitude towards the bank	0.814	

**Source: Research Findings**

Table 4.3 shows that Customer attitude towards the bank had the highest reliability ( $\alpha=0.814$ ), adequacy of CSR awareness efforts ( $\alpha=0.765$ ) and Customer awareness of CSR action ( $\alpha=0.754$ ). This illustrates that all the five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda & Mugenda, 2008).

#### **4.4: Demographic characteristics of the customers**

The study found it paramount to determine the respondents' gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are as shown in Table 4.2.

**Table 4.2: Gender of the respondents**

Gender	Frequency	Percentage
Male	38	51.7
Female	35	48.3
Total	73	100

**Source: Researcher (2014)**

According to the analysis it was evident that majority of the respondents were male which represented 51.7% while 48.3% were female. It can therefore be deduced that males were the most dominant gender among the respondents who participated in the research.

The researcher sought to determine the age distribution of the respondents and the result is shown in Table 4.3.

**Table 4.3: Age Distribution**

Age	Frequency	Percentage
21-31Y	12	16.44
32-41Y	37	50.68
42-51Y	16	21.92
52 Above	8	10.96
Total	73	100

**Source: Researcher (2014)**

The respondents were required to indicate their age and the findings indicated that half of the respondents (50.68%) that were used were between 32 and 41 years, 21.92% of the respondents were aged between 42 and 51 years of age. The findings further indicated that 16.44% of the respondents were aged between 21years and 31 years

While the remaining 10.96% indicated that they were above 52 years. The finding therefore implies that the respondents were old enough to provide valuable responses that pertain to the effect of corporate social responsibility on customer loyalty among commercial banks.

The study sought to know the highest level of education of the respondents and the result is shown in Table 4.4

**Table 4.4: Level of education of the respondents**

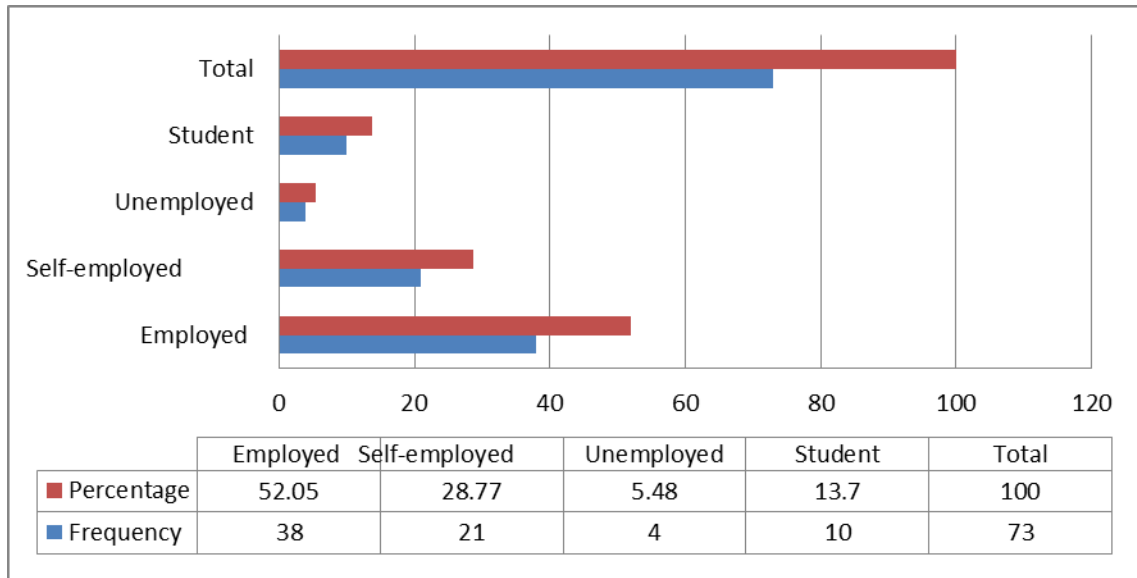
<b>Level of education</b>	<b>Frequency</b>	<b>Percentage</b>
Secondary education	10	13.70%
Diploma	6	8.22%
Bachelor's degree	38	52.05%
Master's degree	19	26.03%
Total	73	100.0%

**Source: Researcher (2014)**

From the findings, majority (52.05%) had university degrees followed by 26.03% who indicated that they had master degree, then 13.70% had completed secondary education and the remaining 8.22% indicated that they have attained college diplomas. Therefore the findings conclude that most respondents had adequate education to execute their pertaining to quality management systems on university performance in Kenya.

The researcher further sought to know the employment status of the respondents and the result was presented in figure 4.2.

**Figure 4.2: Employment Status**

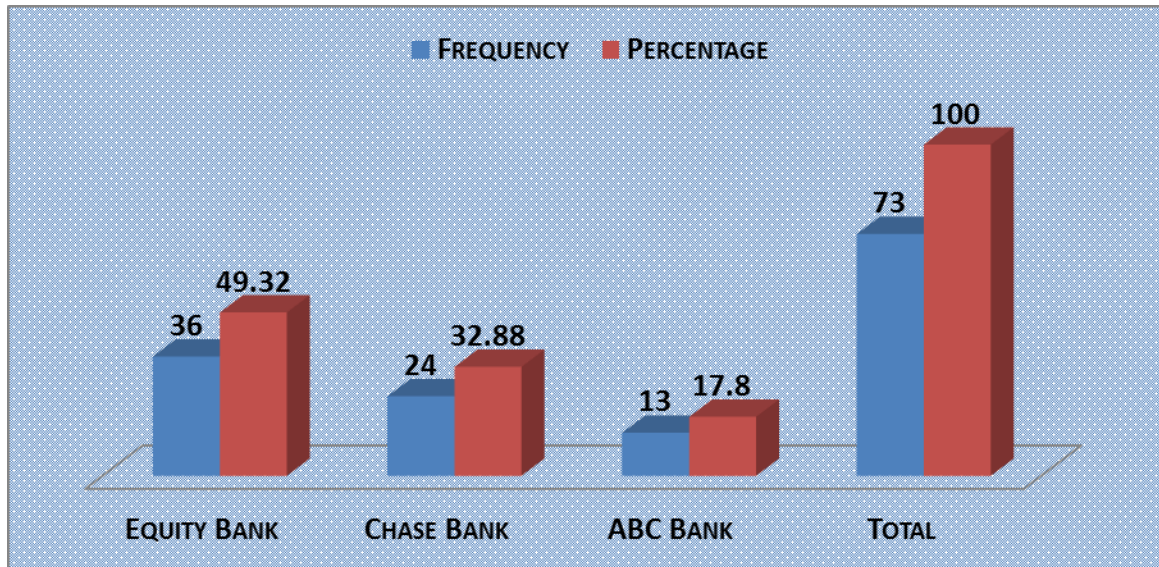


**Source: Researcher (2014)**

According to the analysis it was evident that majority of the respondents were male which represented 51.7% while 48.3% were female. It can therefore be deduced that males were the most dominant gender in universities of Kenya.

Finally the study sought to know the respondent's choice of banks and the result is shown in figure 4.3

**Figure 4.3: Bank of Choice**



**Source: Researcher (2014)**

According to the analysis it was evident that majority of the respondents were from equity bank (49.32%) while 32.88% were from chase bank and 17.80% were form ABC bank.

#### **4.5 Customer Awareness of CSR activities**

All the respondents appreciated the fact that commercial banks engage in CSR. The respondents also observed that the most publicized CSR activity is the Nairobi Marathon while the other activities like Community Projects, Tree Planting, Wild Life Conservation and Food Donations were inadequately publicized. Other CSR programmes that commercial banks sponsors include giving scholarships to brilliant needy students,



Sponsorship of Children Homes in Nairobi and its environs like Kikuyu, Limuru and Ruiru towns and Mater Heart Run where commercial banks staff participate in walks to raise funds for children with heart ailments. The respondents also observed that all the CSR programmes in the commercial banks are sustainable in the long run.

The researcher sought to find out if: “The CSR awareness efforts at commercial banks were adequate” and how a responsible company should be involved in CSR activities. A number of questions were fronted to the respondents who gave their responses on a scale of 1-5 where 1 represents to a very large extent and 5 very small extent. Table 4.5 shows the mean and standard deviation of factors that were used by the researcher to show the extent to which manufacturing firms in Nairobi had embraced buyer – supplier relationships. A mean of 1-3, shows that the factor in question has been adopted by the responding organizations to a large extent. A mean of 4-5, shows the factor in question has been adopted by the responding organizations to a small extent. These findings were supported by prior studies that report positive correlations between customer awareness of the CSR activities and customer loyalty as shown in Table 4.5

**Table 4.5: Adequacy of CSR Awareness efforts**

<b>The Extent to which Customer Awareness to CSR activities affect performance of the commercial banks in Kenya.</b>	<b>Mean</b>	<b>Standard Deviation</b>
Recruitment policies	4.33	1.692
Providing safe working conditions for its employees	3.40	0.497
Reducing use of paper and using technology to support paperless banking.	1.57	0.630
Reducing waste and pollution in the environment.	4.69	0.841
Assuring the transparency of operations	3.51	1.043
Contributing a percentage of sales profits for needy projects	4.57	0.801
Use products and services to raise awareness for needy projects.	4.12	0.594
Have marketing activities that are beneficial to all i.e. bank, customer & society.	3.93	0.997
Donating money for various charitable causes.	3.75	0.873
Contributing to disaster relief work	3.81	0.794
Contributing to education of the community's members	4.51	0.937

**Source: Research Findings**

The findings indicated that 20% of the respondents disagreed, 40% agreed while 40% strongly agreed that CSR awareness efforts by commercial banks were adequate. The standard deviation from the mean score (4) was at 1.255 implying that the respondents held varied views on the subject but generally agreed that the communications, advertisements, and promotions of CSR programmes by commercial banks was adequate. Influence of CSR programmes on Strategic Intent at commercial banks. The respondents observed that the nature and resource allocations to the CSR activities at commercial banks were in line with its mission, strategic objectives, brand promise and vision (strategic intent).

According to Brammer and Millington (2007), CSR policies can lead employers to form favorable perceptions of the organization. Such policies influences employee commitment to the organization as they make them feel proud to be associated with the good that the organization does to its constituents and may make them more eager to share the “good deed” that the organization does with others outside the organization (Stawiski et al, 2010).

Tsai et al (2006) say that employees should be encouraged to learn new and innovative ways of relating with customers as this will be beneficial to both the customers and the organization due to the positive feedback gained from the consumers. The end result will be a fulfillment of the organization’s responsibilities towards society. The staff has to be committed in their work in order to establish an organizational culture devoted to provision of quality service to consumers (Michalos, 2006). This gains confidence from the consumers leading to customer satisfaction hence becoming a source of competitive advantage. The researchers sought to find out how the bank’s CSR activities will have an effect on the clients and the customers loyalty and the result is shown in Table 4.6.

**Table 4.6: Customer's attitude towards the Bank**

<b>Customer's attitude towards the Bank</b>	<b>Mean</b>	<b>Stand. dev</b>
I feel comfortable having an account with my bank knowing it makes an effort on CSR.	4.12	1.125
I do not think about my banks' CSR activities	3.21	0.643
I will not support the bank if it engages in unethical and unfair practices	4.13	1.237
I will support the banks' CSR activities because I think part of the commissions made from my services is going to help others	4.27	1.230
I will not support the bank if it engages in insincere CSR practices	3.98	0.941
I expect my bank to actively participate and support CSR activities	4.10	1.043
I choose to bank with my current bank due to its activeness in CSR practices	3.1	0.897

**Source: Research Findings**

The study found that the CSR activities in commercial banks affect the loyalty of the customers. The respondents observed that they would not support the bank if it engages in unethical and unfair practices and also if it engages in insincere CSR practices as shown with a mean score of 4.13. They agreed that they would support the banks' CSR activities because they think part of the commissions made from their services is going to help others which shown by the mean score of 4.27 with a standard deviation of 1.23 in table 4.6. A large number also noted that they feel comfortable having an account with their respective commercial banks knowing it makes an effort on CSR.

#### **4.6: Effect of corporate social responsibility on customer loyalty among commercial banks in Nairobi, Kenya**

On seeking to establish the effect of corporate social responsibility on customer loyalty among commercial banks in Nairobi, the study established that it does not only take the provision of quality products and services for organizations to gain public support. The type of employees an organization has is also a major factor. Therefore it is prudent for organizations to develop responsible and ethical staff, who in turn provide good quality services to customers thereby leading to customer excellence

The study also found out that CSR policies can lead employers to form favorable perceptions of the organization. Such policies influences employee commitment to the organization as they make them feel proud to be associated with the good that the organization does to its constituents and may make them more eager to share the “good deed” that the organization does with others outside the organization. The study findings are in line with Tsai et al (2006) who say that employees should be encouraged to learn new and innovative ways of relating with customers as this will be beneficial to both the customers and the organization due to the positive feedback gained from the consumers.

The study established that end result of CSR are fulfillment of the organization’s responsibilities towards society and that the staff has to be committed in their work in order to establish an organizational culture devoted to provision of quality service to consumers .They gain confidence from the consumers leading to customer satisfaction hence becoming a source of competitive advantage. The study point out that individual performance is influenced by “knowledge, skill and the environment”. The study

established that poor performance is caused by several factors among them poor working conditions, lack of information or skills, inadequate working tools and poor motivation and/or incentives.

#### **4.7 Discussion and interpretation of the findings**

The study sought to establish the effect of corporate social responsibility on customer loyalty among commercial banks in Nairobi. The review of the literature above indicates that CSR programmes can predict organizational competitiveness and customer satisfaction in all types of organizations in general and retail banking institutions in particular. Retail banking institutions can build competitive advantage through involvement in the above reviewed CSR activities because they are influenced by all of them. This means that these activities can easily be crafted into the organization's overall strategy. However, managers should take into account various micro and macro environmental factors before implementing them.

The study established that for service organizations to be successful in the marketplace, they must be able to maintain a good and long-term relationship between them and their clients as this will lead to repeat purchases and eventual customer commitments (Paul et al, 2008). Such commitment is only possible when customers are satisfied with the services offered. Customer loyalty is a key factor in any business success (Kotler and Armstrong, 2008;

Lewis and Soureli, 2006). Therefore it is the responsibility of organizations to provide equality products and services in order for them to be trusted by the consumers. There is varied opinion in academic literature on the relationship between customer satisfaction

and customer loyalty. Some researchers have concluded that the relationship is non-linear (Auh and Johnson, 1996). There are some who have concluded that the relationship is asymmetrical (Anderson and Mittal, 2000). However, some have shown a direct link (Grace and O’Cass, 2004) by concluding that more satisfied customers are likely to make a repeat purchase that leads to the generation of more favorable evaluations and attitudes and ultimate consumer loyalty. This can be a source of competitive advantage. One of the reasons why clients switch banks is dissatisfaction (Manrai and Manrai, 2007) which is caused mainly by unfavorable tariffs (Colgate and Hedge, 2001; Santonen, 2007). According to Richardson and Robinson (1986), customers close their accounts in banks because of dissatisfaction caused by among other reasons poor service as perceived by the customers, employees who are rude or unhelpful to the clients and the impersonal nature of the banking institutions. The most important factors that determine bank customer retention and acquisition are quality service and customer satisfaction (Jamal, 2004; Armstrong and Seng, 2000).

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of the findings**

This study established that commercial banks engage in deliberate practice of CSR with the main focus being assisting the disadvantaged, where the organizations sponsor various hospitals in a bid to contain treatable eye ailments in children and the elderly. Other CSR activities in the organizations include sponsorship of community projects like drilling of bore holes, support of children homes, and conservation of wild life, tree planting, food donations and charitable activities like Mater Heart run that seeks to raise funds in aid of children with heart ailments. The study found out the above mentioned CSR programmes are fairly publicized and are fully sustainable.

The study found out that all the CSR programmes are aligned with the Strategic Intent of most if not all commercial banks. It also established that all the CSR programmes do contribute to attainment of the Strategic Intent at commercial banks through their joint and several contributions to the expectations of the various stakeholders of the organization. To the employees the CSR programmes allows their participation as volunteers and instills a sense of responsibility and belonging to the overall mission of the organization. To the customers the study established that they specifically derived prestige from the socially responsible brand and also shared in the increased share value created for the investors and the economic, social and environmental benefits enjoyed by the communities.



The study established that the regulators were interested in corporate citizenship of the players through the practice of CSR as embodied by commercial banks. The main challenges that commercial banks face in the practice of CSR was resource constraints and deteriorating macroeconomic environment characterized by inflation, increased poverty levels and youth unemployment. The other main challenge was lack of free will and passion in the employees and customers. Lastly, commercial banks like many other organizations lacked models of CSR that could have ensured delivery of value to all the stakeholders of the organization.

The study also established positive correlation between customer awareness of the CSR activities and customer loyalty. The result is consistent with Luarn and Lin (2003) who found a significant relationship between customer awareness of the CSR activities and loyalty as well as customer awareness of the CSR activities and commitment. Turel and Serenko (2006) and Wang et al. (2004) also reported positive relationship between mobile service and customer loyalty. Lin and Wang (2006) and Tung (2004) also reported positive relationship among customer awareness of the CSR activities and customer satisfaction, while Lin et al. (2005); Cronin et al. (2000) established a direct relationship between customer awareness of the CSR activities and word-of-mouth communication.

## **5.2 Conclusions**

The study concludes that commercial banks have managed to embrace CSR practices that align with the strategic intent of the organization. The study also acknowledges that the CSR programmes are sustainable but also notes that the same programmes are not adequately funded. The study goes further to contend that the CSR programmes have a

localized reach and are overly specialized on the 'Seeing is Believing' theme while ignoring other equally deserving needs like the curbing of unemployment among the vast majority of the youth.

The study also concludes that communities, investors and regulators are the stakeholders who derive tangible benefits from the CSR investments at commercial banks, while the employees and customers are more of spectators than beneficiaries. The weaknesses mentioned above, impose a significant shortcoming in the CSR programmes' ability to deliver the strategic intent of commercial banks through the delivery of some or all of the expectations of all some or all of the stakeholders of the organization. Therefore, the study concludes that the CSR programmes have not adequately enhanced the attainment of the strategic intent of commercial banks due to inadequate funding, inefficient CSR models, localized geographical reach and externalities like high inflation, poverty levels and unemployment levels.

A customer relationship management approach that pays attention to recognizing the customers, distinguishing the customers, listening to the customers, making all sorts of contacts with the customers, the bank identifying itself with the customer and adapting to the customers (Holloway, 2002) creates maximum benefit from customer relationship management such as increase in the cross-sales reduction in customer disagreements, high level of customer satisfaction and loyalty and the ability to form close contacts and relationships with the customers in terms of technologic, informatics and social terms (Odabai, 2000). Therefore, customer relationship management significantly assists the bank in developing collaborative, cooperative and profitable long-term relationships with client.

### **5.3 Limitations of the study**

The study was based on a limited number of respondents from a particular demographic. The results may have been different if the study was carried out in a different county or different sector. Also some respondents were not aware of the concept of CSR and thus their responses were affected by their understanding of the definition given. Finally, the sample size was small and it may be important to carry out a study on a larger sample and population

### **5.4 Recommendations**

The study makes several recommendations that have policy implications and also makes suggestions for further research

#### **5.4.1 Recommendations with policy implications**

The study found that customers think that banks are doing a good job in CSR and that this affects their general perception to their bank. It is therefore recommended that banks should make most of whatever resources that are available to devote to CSR. Communication on the CSR investment and tangible positive outcomes should be done to customers and the general public which will help them better understand the contributions the bank is making.

The study shows that banks should allocate more financial resources to the CSR kitty of commercial banks to cater for publicity and elaborate organization of the events. The current CSR programmes should be expanded to engage more employees and serve more needy cases in a wider geographical area. There is urgent need to come up with a CSR model that delivers tangible benefits to all stakeholders from each CSR investment by

commercial banks. The policy makers like NSE, KBA and the National Assembly should come with laws and regulations that stipulate the minimum ratio of CSR kitty to Profits after tax to guard against insignificant allocations to CSR investments. Commercial banks should strive to attract more co-sponsors in order to benefit from the economies of scale.

#### **5.4.2 Suggestions for further research**

The study was done with a concentration on commercial banks in Kenya and found that CSR is an important variable to be considered in customer loyalty. It is therefore recommended that studies are carried out in other sectors such as telecommunications, manufacturing or tourism which will serve as comparable research to this study. It is also recommended that further research is done on how corporate social responsibility can be measured in terms of its contribution to the society without these institutions using them as leverage to gain customer loyalty. This study can also be used and extended by future researcher in examining the relationship between CSR and customer perception and its effects on a company's brand.

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## APPENDICES

### Appendix I - Assets and Market Share of Commercial banks

	<b>Bank</b>	<b>Assets (Million K shs.) Weighting:0.33</b>	<b>Market share</b>
<b>Large Group&gt;5%</b>	<b>Peer</b>		
	Kenya Commercial Bank Ltd	304,112	13.1%
	Equity Bank Ltd	215,829	9.3%
	Cooperative Bank Ltd	199,663	8.6%
	Standard Chartered Bank (K) Ltd	195,493	8.4%
	Barclays Bank of Kenya Ltd	185,102	7.9%
	CFC Stanbic Bank Ltd	133,378	5.7%
	<b>Sub-total</b>	<b>1,233,577</b>	<b>52.94%</b>
<b>Medium Peer Group&gt;1% &amp;&lt; 5%</b>			
	NIC Bank Ltd	101,772	4.4%
	Diamond Trust Bank Ltd	94,512	4.1%
	Commercial Bank of Africa (Ltd)	100,456	4.3%
	I&M Bank Ltd	91,520	3.9%
	Citibank N.A.	69,580	3.0%
	National Bank of Kenya Ltd	67,155	2.9%
	Baroda Bank Ltd	46,138	2.0%
	Chase Bank Ltd	49,105	2.1%
	Bank of Africa Ltd	48,958	2.1%
	Prime Bank Ltd	43,463	1.9%
	Housing Finance Company of Kenya Ltd	40,686	1.7%
	Imperial Bank Ltd	34,590	1.5%
	Family Bank Ltd	30,985	1.3%
	Bank of India	24,877	1.1%
	Ecobank Kenya Ltd	31,771	1.4%
<b>Sub-Total</b>	<b>875,566</b>	<b>37.6%</b>	
<b>Small Group&lt;1%</b>	<b>Peer</b>		
	African Banking Corporation Ltd	19,071	0.8%
	Fina Bank Ltd	17,150	0.7%
	Consolidated Bank of	18,001	0.8%

Kenya Ltd		
Gulf African Bank Ltd	13,562	0.6%
Giro Commercial Bank Ltd	12,280	0.5%
Equatorial Commercial Bank	14,109	0.6%
Fidelity Bank Ltd	11,772	0.5%
Guardian Bank Ltd	11,745	0.5%
Victoria Commercial Bank Ltd	10,323	0.4%
Development Bank of Kenya Ltd	13,417	0.6%
Habib A.G. Zurich	9,702	0.4%
K-Rep Bank Ltd	9,546	0.4%
Trans-National Bank Ltd	8,801	0.4%
First Community Bank Ltd	9,959	0.4%
Paramount Universal Bank Ltd	7,255	0.3%
Habib Bank Ltd	7,014	0.3%
Oriental Commercial Bank Ltd	6,220	0.3%
Credit Bank Ltd	6,407	0.3%
Jamii Bora Bank Ltd	3,480	0.1%
Middle East Bank (K) Ltd	5,870	0.3%
UBA Bank Kenya Ltd	2,924	0.1%
Dubai Bank Ltd	2,584	0.1%
Charterhouse Bank Ltd	0	0.0%
<b>Sub-Total</b>	<b>221,192</b>	<b>9.5%</b>
<b>Grand-Total</b>	<b>2,330,335</b>	<b>100%</b>

## Appendix II: Research Questionnaire

Hello,

I am an MBA student at the University of Nairobi and I am carrying out a research on Corporate Social Responsibility (CSR) in commercial banks in Kenya. I wish to request your participation in this survey by filling out this questionnaire. This questionnaire contains three parts and takes about 5 minutes to fill. All responses are anonymous and used for academic purposes only. Thank you in advance.

### Section A – Respondent Profile

1. What is your gender?

Male

Female

2. What is your age bracket?

21 - 31 years

32 - 41 years

42 - 51 years

Above 52 years

3. What is your highest level of education acquired?

High school level

Diploma

Bachelor's degree

Masters

PhD degree

4. Employment Status

Employed

Self-employed

Unemployed

Student

5. My bank is

{ } Equity Bank

{ } Chase Bank

{ } ABC Bank

Please read each statement carefully, use the following scale to indicate your response and circle the appropriate answer.

1-----2-----3-----4-----5  
 Strongly Disagree      Disagree                  Neutral                  Agree                  Strongly Agree

**Section B - Customer Awareness to CSR activities**

How do you think a responsible company should be involved in the following activities?

I think the bank should:

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6.	Have no bias towards age, gender, race, in its recruitment policies	1	2	3	4	5
7.	Recruit persons with disabilities	1	2	3	4	5
8.	Provide safe working conditions for its employees	1	2	3	4	5
9.	Reduce use of paper and use technology to support paperless banking	1	2	3	4	5
10.	Reducing waste and pollution	1	2	3	4	5
11.	Assure the transparency of operations	1	2	3	4	5
12.	Contribute a percentage of sales profits for needy projects	1	2	3	4	5
13.	Use products and services to raise awareness for needy projects	1	2	3	4	5
14.	Have marketing activities that are beneficial to all i.e. bank, customer & society	1	2	3	4	5
15.	Donate money for various charitable causes	1	2	3	4	5
16.	Contribute to disaster relief work	1	2	3	4	5
17.	Contribute to education of the community's members	1	2	3	4	5

### Section C – Customer’s attitude towards the Bank

How do you think the bank’s CSR activities will have an effect on you?

18.	I feel comfortable having an account with my bank knowing it makes an effort on CSR	1	2	3	4	5
19.	I do not think about my banks’ CSR activities	1	2	3	4	5
20.	I will not support the bank if it engages in unethical and unfair practices	1	2	3	4	5
21.	I will support the banks’ CSR activities because I think part of the commissions made from my services is going to help others	1	2	3	4	5
22.	I will not support the bank if it engages in insincere CSR practices	1	2	3	4	5
23.	I expect my bank to actively participate and support CSR activities	1	2	3	4	5
24.	I choose to bank with my current bank due to its activeness in CSR practices	1	2	3	4	5

**\*\*End of questionnaire\*\***

**Thank you for your participation**